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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 001496

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DEPARTMENT PLEASE PASS USTR FOR JWEISS, LERRION
USDA FOR FAS JFLEMINGS, BLEIER, JDEVER

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TAGS: [ETRD](#) [EAGR](#) [WTO](#) [TU](#)

SUBJECT: TURKEY: TRADE MINISTER SEEKS TO END WTO RICE CASE

Classified By: Ambassador Ross Wilson for reasons 1.5 (b) and (d).

¶1. (C) Summary: Foreign Trade Minister Tuzmen told Ambassador March 21 that he will present a letter to USTR Portman on March 27 agreeing to abolish the tariff quota system and licensing requirement. Separately, post receive by anonymous fax an internal memo from Tuzmen to other GOT Ministers arguing that if this case goes to panel, the GOT will lose and it will result in negative economic repercussions. End summary.

¶2. (SBU) As discussions have continued in Geneva between the USG and the GOT about rice, Turkish officials have become visibly uncomfortable with the prospect of the case going to panel. Prior to the March 17 WTO Dispute Settlement Body (DSB) decision to form a panel, communication from our Turkish interlocutors increased. Post's Agriculture Counselor was summoned to meet with the GOT Undersecretariat for Foreign Trade's (FTU) Multilateral Office on March 16 to discuss the issue. In addition, we also received an anonymous fax on March 17 with pertinent information regarding the GOT's views on the issue. Text of this document is included in paragraph 6.

¶3. (SBU) FTU Deputy Director General for Multilateral Affairs, Hasan Yalcin, told Ag Counselor March 16 that Minister Tuzmen was prepared to sign a letter stating that as of July 31, 2006, Turkey will rescind its domestic purchase requirements for rice and agree to our requests on the control certificates. In a meeting Tuzmen requested with Ambassador on March 21, Tuzmen said he will present a letter to USTR Portman during their March 27 meeting in Washington agreeing to "abolish the tariff quota system and licensing requirement." We are trying to obtain an advance copy of the letter.

¶4. (C) On March 17, we also received an anonymous fax that included a March 10 "secret" internal memo from Tuzmen to the Foreign Ministry, Deputy PM, State Minister for Economy Ali Babacan, the Finance Ministry and the Agriculture Ministry. In this memo, Tuzmen argues that, should the rice matter go to panel, Turkey will almost certainly lose the case and lists the areas in which Turkey's rice policy is inconsistent with WTO requirements. He warns them that the USG will not accept their previously offered solutions. Finally, he cautions that, should this matter go to panel, protective measures for other agricultural products could also be challenged at the WTO, bringing negative economic repercussions. He ends the memo by urging them to settle the matter as quickly as possible.

15. (C) Comment: Tuzmen's memo confirms what we long suspected, that is that the FTU knew the GOT rice import regime violated WTO obligations, but they did not have enough support within the government to counter the Ministry of Agriculture's protection of Turkish farmers. During our meetings on this issue they appealed to our humanity (you'll be putting poor Turkish farmers out of business), they appealed to our pockets (if you drop this matter, we'll make sure that the regime provides preference to American rice), but in the end, the GOT has realized that it will lose this case in a WTO panel. End comment.

16. (C) Begin unofficial translation of memo text:

You are aware of the fact that the USG brought our implementation to impose tariff quotas based on a domestic purchase requirement, and our prevention of the issuance of import control certificates for rice, to the WTO Dispute Settlement Body on November 2, 2005, claiming that this implementation is against WTO rules and disciplines.

Within this framework, our basic policy, which was also shared by other related ministries, including the Ministry of Agriculture, has been to resolve the dispute between the two countries without establishing a panel and to prevent the discussion of the control certificate implementation in the WTO platform.

However, since U.S. Officials have turned down all of our proposals, we have not been able to reach a mutually-agreed upon solution as a result of the bilateral discussions. We expect the panel, which the USG requested for the resolution of this dispute, to be established March 17, 2006. It appears that our country's chances of winning the panel are very weak, almost none.

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We find it difficult even to find the legal arguments to use during the panel process, given the fact that imposition of the restrictions on rice imports through the prevention of issuance of control certificates is against Article XI of GATT 1994, which clearly states that the member countries cannot use any import restrictions or bans, including quotas, import licenses, or any other regulations than tariffs. In addition, the WTO Law Consulting Center has refused to defend our country for this reason.

On the other hand, the implementation of the tariff quota based on a domestic purchase requirement, which is the second art of the U.S.'s complaint, is against Article III of GATT related to national treatment. According to paragraph one of this article on general implementation, member countries cannot use taxes and other domestic fees, and laws, regulations and other legislation that affect the sale, marketing, purchase, transport, distribution and use of goods in order to protect the local production or to influence the consumer between the imported or local products; (member countries) cannot use domestic regulations that impose use of certain amounts or ratios in the composition of the goods, or for processing or use of these goods; (Article III also addresses) all implementations that protect domestic production or producers, given a selection of domestic and imported goods.

Within this framework, in a certain period, we will be required to lift our implementation to prevent issuance of import control certificates, which is against our obligations under the WTO, and our tariff quota system based on a domestic purchase requirement.

On the other hand, the proposed solutions that we brought to the agenda to improve the current system, such as completely prohibiting rice imports and providing U.S. paddy rice with easy access to the market and periodically issuing import control certificates, are also contradictory to our

WTO obligations under articles III and XI of GATT 1994.

Therefore, the proposals we made thus far were not found by the U.S. to be sufficient to stop the panel process.

In addition, even if the USG accepted our proposals within the context of the bilateral negotiations, it is highly possible that other beneficiary WTO members will take Turkey to the panel. Therefore, in order to convince the USG to reach a bilateral compromise and to prevent other lawsuits that could be filed against our country in the long term, we find it essential to abolish the current effective protection policy to prevent the issuance of import licenses and to urgently develop protection policies in line with WTO rules.

Otherwise, we should consider that similar protection systems implemented for other products in our country may be questioned during this panel process, which could have unforeseen and serious economic repercussions.

Within the framework of the facts and opinions stated above, it is highly recommended that we urgently finalize the studies started by the related ministries and organizations, (and that we) make a radical change in the protection mechanisms implemented in our agricultural sector.

I present this to your information.

Signed
Kursad Tuzmen
Minister of State

End unofficial translation text.

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